

Agenda Item: 8

Meeting: Schools Forum

Date: 28th June 2010

Subject: Consultation on the Dedicated Schools Grant (DSG)

Report of: Deputy Chief Executive and Director of Children Services

Summary: To update the Schools Forum on the Consultation on the distribution to Local Authorities of the Dedicated School Grant (DSG).

Contact Officer: Dawn Hill, Borough Hall, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

- 1. To discuss and comment on the Consultation of the distribution to Local Authorities of the Dedicated Schools Grant (DSG) and note the School Forum response.**
- 2. To establish a Technical Funding Sub Group to oversee any proposed formula change resulting from the review and agree specific formula elements that require reconsidering.**

Background

1. Following the Department for Children, Schools and Families (DCSF) review of the formula and methodology for allocating DSG to local authorities, the department launched its consultation on the future distribution of school funding on the 15th March 2010.
2. The guiding principles by which the review had being conducted was that the funding system should support schools and local authorities to raise the educational achievement of all children and young people and to narrow the gap in educational achievement between all children, including those from low income and disadvantaged backgrounds. The resultant distribution formula for DSG to local authorities should be based on the principles of transparency, simplicity and stability.
3. Two documents regarding funding for schools were published by the DCSF, 'Investing for the future, protecting the front line: school funding 2010-13' and 'Consultation on the future distribution of school funding'. Investing for the future set out details of savings the Secretary of State has identified and what is planned

in order to protect or increase funding to help schools and local authorities to plan over the next three years. The consultation document sets out the principles underpinning a new funding system from April 2011, the first year of the next Comprehensive Spending Review (CSR) period and proposals on the formula for allocating the DSG.

4. This is likely to have an impact on allocations to individual local authorities, including Central Bedfordshire, which will have a clear effect on the delegated budgets which schools receive and also on the resources available to fund central services which support schools and pupil learning.

Consultation Document

5. The consultation document sets out the principles of the new formula and asks for views on the opinions. The DCSF are proposing five elements for the formula: a basic entitlement for every pupil; additional money for pupils with additional educational needs; funding for provision for high cost pupils; a sparsity factor to support local authorities which need to maintain small schools in sparsely populated areas, and an adjustment for local authorities who have higher labour costs. They are also proposing the introduction of a Local Pupil Premium, in order to ensure the resources for deprivation reach the pupils who need them.
6. Around £4.5 billion is currently allocated to schools through specific grants. The intention is to mainstream as many of these grants as possible into the DSG. This is not about cutting funding – overall front line funding for schools will increase in real terms by an average of 0.7 per cent per annum in 2011-12 and 2012-13 and this is applied to the total which includes all of these grants.
7. The Secretary of State has announced that the Government intends to set a Minimum Funding Guarantee, which will mean all schools would receive a cash increase per pupil, subject to exclusions such as resources assigned to individual pupils (Statementing).
8. Proposed Formula Elements:
 - 8.1 **Basic Entitlement:** is there to cover the general costs of running schools, notionally around three quarters of the DSG allocation. It is a per pupil amount not covering any additional needs or costs, which are picked up elsewhere in the formula. The consultation sets out two options for the calculation of this basic unit of funding; a judgemental approach to dividing up the overall sum available for the DSG into its formula elements, and an activity-led funding (ALF) approach which identifies and attempts to cost the core activities that schools undertake.
 - 8.2 **Additional Educational Needs (AEN):** this formula factor is to reflect, in particular, the children from deprived backgrounds that are less likely to achieve than their more advantaged peers and need additional support to help them achieve their potential. To ensure that the funding system is responsive to where deprived children are, all local authorities will be required to operate a local pupil premium from 2012-13 onwards. Such a local pupil premium would mean that if a school recruits a larger number of deprived

pupils, it can see that it will receive additional funds, which will be reflected in its budget.

- 8.3 **High Cost Pupils (HCP):** a small number of pupils, mainly those with Special Educational Needs (SEN), have very specific needs which are very costly to provide for. Evidence from the PwC research has been used to define high cost pupils and to develop proposals for allocating resources, based on the need types identified in the PwC work. The current recoupment system for pupils with statements of SEN educated outside the resident local authority was also looked at as part of the review and no change is proposed.
 - 8.4 **Sparsity:** this is not simply a factor for small schools. It is intended to recognise the need to maintain small primary schools in sparsely populated areas, which cost more per pupil to run. Two options are proposed; a broader option incorporating more local authorities or a narrower option which targets a smaller number of more sparsely populated local authorities. The case for a sparsity factor for secondary schools was considered but evidence did not suggest a strong case for its inclusion.
 - 8.5 **Area Cost Adjustment (ACA):** There is a wide variation across the country in staffing costs which means that the cost of providing comparable services in different parts of the country will differ. Two options for calculating the ACA are considered. One is based on the principle that education workers are part of the general labour market (GLM). The other “hybrid” approach is based in part on the direct pay costs of teachers, which we are able to quantify, and uses the GLM approach for all other elements of staff costs, which we are not able to quantify.
9. The consultation also addresses other issues, including how to adjust the DSG for the conversion of maintained schools into Academies, funding for Service children, the revenue cost implications of the Private Finance Initiative (PFI), Home Educated children and links with the Department for Communities and Local Government’s (CLG) relative needs formula (RNF), which includes aspects of children’s services.
 10. Whilst there are valid assessments that central government can make about need, needs in individual schools are best assessed at the local level. This principle underpinned the creation of the School Forums in 2002 to advise and consult on the distribution of funding. The DCSF intend to continue distributing money to schools, through the local authority, using their local formulae.
 11. It is recognised that schools and local authorities need stability and time to plan for changes to funding. Therefore, there will be protections at school and local authority level to reduce the level of short term changes to the distribution.
 12. Local Authorities should ensure that funding for deprived pupils reaches deprived pupils locally and by 2014-15, all the money allocated nationally should be directed this way.
 13. The DCSF are proposing to issue indicative allocations to local authorities, by November 2010. The closing date for responses to the consultation being the 7th June 2010.

Opinion of the F40 Group

14. F40 is a campaign group fighting for a more equitable allocation system for education funding. It is seeking a fairer share of school funding for all schoolchildren in areas of the country where funding has fallen short in the past. This includes shire counties, unitary council areas and metropolitan council areas of all political persuasions. Central Bedfordshire is ranked 128 out of 151 local authorities for 2009-10 allocations per pupil and is a member of this group.
15. Having analysed the content of the consultation material, F40 believe that there is plenty in the proposals that reflects member's demands and vindicates the campaign for change.
16. F40 believe that one of the most important outcomes of the review is that for the first time the government has presented a clear definition of what basic entitlement is.
17. The consultation has many good points that if contained in the new allocation system, will be beneficial to children attending schools in the lowest funded authorities. These are:
 - A return to a formula distribution.
 - That the formula will be based on the original Schools Formula Spending Share (SFSS), with some alterations to cover changed circumstances, some important changes to data used and the use of better proxy indicators.
 - A clear understanding of the purpose and coverage of the basic entitlement.
 - Important options for data and proxy indicators used for additional and special needs.
 - A clearer definition of the differences between support for additional and special needs.
 - A better way of measuring sparsity.
 - A clear explanation of the need for an area cost adjustment
 - Inclusion of a large number of grants in the DSG – ultimately to form part of the local authority formula to its schools.
18. On the other hand, f40 is disappointed that the consultation ignores or fudges a few important issues, including:
 - It fails to use an activity-led formula for calculating the basic entitlement.
 - It fails to deal with the link between the national basic entitlement and a school level basic entitlement - the issues around the central expenditure from the schools budget have been ducked.
 - The costs of the very few very high cost pupils, particularly for very small authorities.
19. F40's response to the consultation will emphasise the importance of creating a system that is fair to all and they will continue to make our case and fight for what is right.

School Forum Response

20. A joint training / review of the consultation, session was held on the 13th May 2010 at the Forest Centre, Marston. This was attended by both officers and Forum

members to debate the proposals and form a response to the consultation (Appendix A). The consultation document and presentation have been made available on the schools website.

Appendices:

Appendix A School Forum Response to Consultation

B Consultation Questions